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Scale of assessments for the apportionment of the expenses of the United Nations

Measures to encourage Member States in arrears to reduce and eventually pay their arrears

Report of the Secretary-General

Summary

In its resolution 56/243 A of 24 December 2001, the General Assembly requested the Secretary-General to report to the Assembly on proposals for or further consideration of measures to encourage Member States in arrears to reduce and eventually pay their arrears. The present report responds to that request.

In this connection, during its recent sessions the Committee on Contributions has considered a number of possible measures to encourage the timely, full and unconditional payment of assessed contributions. Its observations, conclusions and recommendations thereon are included in its reports. The present report summarizes the results of the Committee's work. Drawing on those results and the current mandate from the General Assembly, it focuses on the possibility of imposing indexation of or interest on arrears and possible retention or redistribution of budgetary surpluses applicable to Member States in arrears. This is in addition to general issues related to implementation of such measures.

The report suggests possible action by the General Assembly in the event that it decides to proceed with any of these measures. It should be seen in conjunction with the Secretary-General's report on multi-year payment plans, which was also requested in Assembly resolution 56/243 A.

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I. Introduction

1. At its fifty-eighth session in 1998, the Committee on Contributions discussed the possible indexation of arrears and restricting access of Member States in arrears to recruitment and procurement opportunities in the United Nations.

2. In its resolution 53/36 C of 18 December 1998, the General Assembly requested the Committee on Contributions, inter alia, to consider further and to make recommendations, as appropriate, on the above-mentioned issues, including measures to encourage the timely, full and unconditional payment of assessed contributions.

3. At its fifty-ninth session in 1999, the Committee reviewed a number of possible measures to encourage the timely, full and unconditional payment of assessed contributions. These included the retention or redistribution of the share of budgetary surpluses applicable to Member States in arrears; priority reimbursement of troop and equipment costs to Member States current with their assessed contributions; incentive credits and payments, including use of the S-curve; issuance of redeemable peacekeeping certificates; interest on or indexation of arrears; restricting access by individuals and entities from Member States in arrears to recruitment and procurement opportunities in the United Nations; multi-year payment plans; and creation of a new assessed fund proposed by a member of the Committee. The Committee concluded that a number of these possibilities raised complex technical issues and would require further study before specific proposals could be submitted to the General Assembly. It considered that it should undertake such studies only if mandated to do so by the Assembly.[1]

4. In its resolution 54/237 B of 23 December 1999, the General Assembly requested the Committee to consider these measures further, with the exception of redeemable peacekeeping certificates and priority reimbursement of troop and equipment costs to Member States current with their assessed contributions.

5. At its sixtieth session in 2000, the Committee recalled its observations in its report on its fifty-ninth session, and it was suggested that a number of the proposals that the Committee had considered then were either beyond its terms of reference or raised serious political questions for which the guidance of the General Assembly would be required. The effectiveness of incentive payments and credits was questioned, based on the experience of other organizations of the United Nations system, as was the concept that Member States should be rewarded for meeting their legally binding financial obligations to the Organization. In light of this, the Committee decided to consider further, at its sixty-first session, the possibility of the indexation of or interest on arrears, multi-year payment plans and the new assessed fund.

6. In its resolution 55/5 A of 26 October 2000, the General Assembly requested the Committee to further consider the indexation of arrears, interest on arrears, multi-year payment plans, early reimbursement to troop-contributing countries and further suggestions for measures to encourage the timely, full and unconditional payment of assessed contributions, taking into account the experience with incentives and sanctions for the payment of assessed contributions of other United Nations organizations and other multilateral and regional organizations.

7. At its sixty-first session in 2001, the Committee had before it detailed information on related measures at other organizations of the United Nations system and other multilateral and regional organizations, which it included in the addendum to its report.[2] Having considered a variety of different measures, the Committee decided to further consider some and not to pursue others unless requested to do so by the General Assembly. It also considered some general issues related to the implementation of these measures.[3]

8. In its resolution 56/243 A, the General Assembly, inter alia, requested the Secretary-General to propose or further consider measures to encourage Member States in arrears to reduce and eventually pay their arrears and to report thereon to the General Assembly during the main part of its fifty-seventh session for subsequent consideration at its resumed fifty-seventh session.

9. The present report responds to that request and should be seen in conjunction with the Secretary-General's report on multi-year payment plans,[4] which was also requested by the General Assembly in its resolution 56/243 A.

10. In considering measures that it might propose or further consider, to encourage Member States in arrears to reduce and eventually pay their arrears, the

Secretariat has taken due note of the results of the previous reviews by the Committee on Contributions and the General Assembly of various measures to encourage the timely, full and unconditional payment of assessed contributions.

II. Measures to encourage Member States in arrears to reduce and eventually pay their arrears

11. In considering various measures to encourage the timely, full and unconditional payment of assessed contributions, the Committee noted that implementation of a number of the specific measures considered were tied to timely payment of assessed contributions. This is currently defined by financial regulation 5.4, which provides that:

> "Contributions and advances shall be considered as due and payable in full within thirty days of the receipt of the communication of the Secretary-General referred to in regulation 5.3 above, or as of the first day of the calendar year to which they relate, whichever is the later. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears."

12. Regulation 5.4 thus defines timely payment in terms of the date that assessments are received by Member States. Separate assessments are issued for the regular budget, the international tribunals and each peacekeeping account. In view of the different financial periods for the regular budget and the tribunals (a biennium of two calendar years) and the peacekeeping accounts (annual from 1 July to 30 June) and multiple assessments for each peacekeeping mission, based on different mandate periods approved by the Security Council, it is not feasible to determine the exact date on which each one is received by each recipient. In addition, the application of multiple dates for each assessment would seriously complicate the administration of any measures adopted.

13. In that connection, at its sixty-first session the Committee recalled that, at its fifty-ninth session, it had concluded that it might be prudent to fix the deadline for timely payment of assessed contributions from the date of the issuance of assessments rather than from the date of their receipt. It suggested that this could be accompanied by a short extension of the deadline, perhaps from 30 to 35 days. It noted that such a change would require a revision of the financial regulations and rules and that there would need to be some provision for the treatment of timely but misdirected payments, or those that came to the attention of the Secretariat late, even though paid on time.

14. **The General Assembly may, therefore, wish to approve a revision of financial regulation 5.4 to specify that assessments should become due and payable 35 days from the date of their issuance, rather than 30 days from their receipt. A draft text is attached in annex I to the present report. A similar suggestion is made in the Secretary-General's report on multi-year payment plans, which also responds to a request in General Assembly resolution 56/243 A.**

15. At its sixty-first session, the Committee observed that, should it decide to proceed with one or more of the measures considered to encourage the timely, full and unconditional payment of assessed contributions, **the General Assembly would need to decide whether to define timely payment in terms of the due period specified in financial regulation 5.4 or from 1 January of the year following the date on which assessments became due and payable, consistent with the definition of arrears under the regulation.** The Committee also agreed that, **for particular measures, the General Assembly would need to decide whether full payment related to all assessed contributions or would be applied on an account-by-account basis.** These issues will be considered further in connection with the specific measures discussed below.

Specific measures

16. In the context of its review of measures to encourage the timely, full and unconditional payment of assessed contributions, the Committee on Contributions recalled that, in its resolution 54/237 B of 23 December 1999, the General Assembly had already decided that the Committee should not consider further the question of issuing redeemable peacekeeping certificates. In view of the legal and political issues involved, the Committee decided that it would consider further the proposal that Member States in arrears should be ineligible for election to

committees and other bodies only if the Assembly requested it to do so. The Assembly has not done so. The Committee felt that the new assessed fund proposed by one of its members was overly complicated and unlikely to prove effective in encouraging the timely, full and unconditional payment of assessed contributions. The Committee therefore decided not to consider the proposal further. The Committee also reaffirmed the serious doubts that had been expressed at its fifty-ninth session as to whether the proposal to restrict the access of Member States in arrears to opportunities for recruitment and procurement fell within its terms of reference, raising as it did a variety of complex issues outside the Committee's area of competence. In the absence of any contrary guidance from the Assembly, the Secretariat assumes that the present report need not address these proposals further.

17. Following its review, the Committee decided to consider the possible imposition of indexation of and interest on arrears further at its sixty-second session. It also decided to further consider, at a future session and in the light of any guidance from the Assembly, the idea of the crediting of budgetary surpluses only to Member States that are current with their financial obligations to the Organization. The Committee agreed to further consider at a future session the idea of early reimbursement of troop-contributing countries on the basis of further guidance from the Assembly. In addition, the Committee agreed that it could consider the question of incentive payments to Member States paying their assessments promptly at a future session, with guidance from the Assembly.

1. Incentive payments

18. Regarding incentive payments to Member States that pay their assessed contributions promptly, while some members of the Committee expressed interest in the idea, others were opposed to rewarding Member States for meeting their financial obligations under the Charter. The Committee was informed that interest income under the regular budget, the usual source of such incentive payments, was fairly limited — $3.6 million in 1998-1999 and $5.3 million in 2000-2001. In addition, the experience of other organizations was not generally encouraging.[2] The effectiveness of the measure as an incentive was also questioned in the Committee. In addition, implementation of such a system would likely be administratively burdensome. In light of all this, **the present report will not address the question further.**

2. Early reimbursement to troop-contributing countries

19. At its fifty-ninth session, the Committee considered the idea of giving priority to Member States that are current with their assessed contributions when paying peacekeeping reimbursements for troop and equipment costs. In its resolution 54/237 B, the General Assembly decided that the Committee should not consider the question further. Subsequently, in its resolution 55/5 A, the Assembly requested the Committee to consider early reimbursement to troop-contributing countries, among other issues.

20. At its sixty-first session, the Committee subsequently agreed that earlier reimbursement by the United Nations of amounts owed to troop-contributing countries could have a positive impact on the payment of assessed contributions by Member States. Some members pointed out, however, that the Organization's capacity to pay reimbursements earlier depended on the availability of adequate resources. This was clearly affected by the late and non-payment of assessed contributions for peacekeeping activities by a number of Member States.

21. Some members of the Committee understood the request in resolution 55/5 A to relate to the idea that only those Member States that are current in their payments to the United Nations should be given priority in the reimbursement of troop and equipment costs related to participation in peacekeeping activities. Other members disagreed with that interpretation of the Committee's mandate. Members also disagreed on the merits of the idea. In this connection, it may also be relevant to note that, as indicated in the Secretary-General's recent report on improving the financial situation of the United Nations,[3] the Organization has recently received some substantial payments of peacekeeping arrears. As a result, the amount outstanding to Member States for peacekeeping activities has fallen significantly and is expected to have fallen further by the end of 2002.

22. In view of the lack of agreement on the nature of the mandate in this regard in General Assembly resolution 55/5 A, the lack of agreement on the merits of the proposal in the Committee on Contributions, the lack of further guidance from the Assembly and the

evolving situation with regard to such reimbursements, the Secretariat **does not consider that it would be productive to consider the matter further in the context of the present report.** It would certainly revert to it, however, if the General Assembly provided a further mandate or guidance in this connection.

3. Interest on and indexation of arrears

Results of earlier reviews

23. Among the proposals that have been considered to encourage the timely, full and unconditional payment of assessed contributions are the imposition of indexation of or interest on unpaid assessed contributions. It has been argued that indexation would appropriately compensate the United Nations for the loss of purchasing power due to the late payment of assessed contributions. Among those favouring an interest charge, it has been pointed out that late and non-payment of assessed contributions reduces the interest income derivable by the Organization to the detriment of the Member States. Charging interest would compensate the United Nations for that loss and encourage Member States to pay more promptly.

24. Although there are conceptual and practical differences between the proposals to apply indexation and/or interest to the outstanding assessed contributions of Member States, both would involve adding a charge to outstanding contributions. Accordingly, they have generally been viewed as alternative approaches, rather than as measures that might be adopted in tandem. During consideration of the matter at the sixty-first session of the Committee, some members agreed with this view, while others felt that both indexation and interest could be applied. In any event, several members suggested that neither indexation nor interest should be applied to the arrears of certain categories of Member States, including the least developed countries, the most highly indebted developing countries and Member States with exemptions under Article 19. It was also suggested that, should the General Assembly approve a new system of multi-year payment plans, Member States with approved plans should be exempt from indexation and/or interest charges along with any other measures that may be adopted to encourage the timely, full and unconditional payment of assessed contributions.

25. **At its fifty-ninth session, the Committee noted that, should the General Assembly consider it desirable that interest or indexation charges should be included in the assessments of Member States, such a decision should make it clear that the revised amount is the new assessed contribution and thus subject to Article 19. Such a decision would have to be effected through an amendment to financial regulation 5.2, which defines assessments and how those assessments are to be adjusted.**

26. If the General Assembly decided to index the arrears of Member States, it would be necessary to decide on which index to use and the appropriate modalities, given the time lags in the publication of some of the possible indices. Given the geographical spread of the Organization's activities and the particular nature of its expenditures, finding an appropriate index might be difficult. One possibility in this context might be to draw on the annual re-costing exercise undertaken by the Office of Programme Planning, Budget and Accounts in the context of the proposed programme budget and the first and second performance reports. Even this approach may have problems, however, since the budget re-costing exercise has a very specific purpose and applying it to indexation of arrears could involve technical problems. In addition, the exercise is carried out for the regular budget of the United Nations and would probably not be appropriate for the cost parameters of the various peacekeeping missions and the international tribunals.

27. Having considered these issues, although some members of the Committee felt that indexation of arrears was conceptually preferable, **the Committee concluded that, should the General Assembly decide to introduce indexation of or interest on arrears, indexation of arrears would pose more complex technical issues than would the imposition of interest.** The Committee therefore focused its attention on the possibility of imposing interest charges.

28. In this respect, **the Committee agreed that, if the General Assembly decided to introduce interest charges on arrears, the rate should be fixed at a low level. It also agreed that the introduction of such a measure should be delayed to allow Member States to make appropriate adjustments.**

29. **The Committee concluded that, should the General Assembly decide to impose interest on the arrears of Member States, this should be done only with regard to arrears arising after the adoption of**

the decision. The Committee noted that this would require a review of the financial regulations.

A possible approach to the imposition of interest on arrears

30. The General Assembly has not yet decided whether or not to introduce interest on or indexation of arrears. In order to assist its continuing consideration of this question, the Secretariat is presenting herewith a tentative proposal, outlining a possible approach that might be followed if the Assembly decides to proceed. In doing so, the Secretariat has been guided by the observations, conclusions and recommendations of the Committee on Contributions. The present report deals with a number of practical issues that would have to be addressed in the context of introducing indexation or interest charges on arrears.

31. As observed by the Committee, indexation of arrears poses more complex technical issues than would the imposition of interest. Accordingly, this tentative proposal relates to interest on arrears rather than indexation. Should the General Assembly decide to proceed with indexation, however, many of the technical considerations outlined below for an interest regime would apply, *pari passu*, to a system of indexation.

32. The practical implementation of such a system is more complicated in the United Nations than in other international organizations, which tend to have a single assessed budget and a single annual assessment. By contrast, at the United Nations separate assessments are issued for each peacekeeping account and for the two international tribunals, in addition to the annual assessment for the regular budget and the biennial assessment of advances to the Working Capital Fund. In addition, the peacekeeping financial period runs from 1 July to 30 June of the following year and multiple assessments may have to be issued for each account during that period, based on the budget approved by the General Assembly and the mandate periods authorized from time to time by the Security Council for each peacekeeping operation. The regular budget and the two tribunals on the other hand follow the calendar year and are subject to biennial budgets, with a single annual assessment issued for each around the beginning of the year.

33. Different financial periods and multiple assessments issued throughout the year would enormously complicate the administration of a system of interest charges if it was applied on the basis of the 30 day due period established by financial regulation 5.4. The cost-effectiveness of such an approach is also questionable, given that individual peacekeeping assessments for a number of Member States can be as little as one dollar. In addition, due to the inherent unpredictability of the amount and timing of peacekeeping assessments, even some Member States that normally pay their assessed contributions in full and on time fail to pay at least some of their peacekeeping assessments within the 30 day due period.

34. **A more practical approach would be to apply interest charges at the end of each financial period. The financial period used for regular budget and international tribunal assessments is the calendar year and procedures for the application of Article 19 are based on the calendar year. It would therefore be more logical and practical to apply interest charges based on arrears on 1 January each year. In order to avoid errors due to late notification or identification of payments made late in the year, the actual notification could be dispatched somewhat later.**

35. The Committee agreed that, if the General Assembly decided to introduce interest charges on arrears, the introduction of such a measure should be delayed to allow Member States to make appropriate adjustments. The Committee also concluded that, if the Assembly decided to impose interest charges, this should be done only with regard to arrears arising after the adoption of the decision. In order to accommodate these recommendations, **the Secretariat would propose to establish a baseline of data on the arrears of each Member State, as defined by financial regulation 5.4, on the date that the system was adopted. An interest charge would then be levied on any increase in the aggregate amount of that Member State's arrears as at 1 January of the second following year.** That is, if the Assembly decided in 2002 to introduce the system, the first charges would be levied on increases in arrears from the baseline as at 1 January 2004. **Interest would then be applied annually thereafter to all accounts, based on any increase of arrears as at 1 January of the following year compared with the baseline. Interest would be applied to all arrears of Member States admitted to the United Nations after the adoption of**

the decision to charge interest on arrears, from 1 January of the second year following their admission. If such a new Member State were admitted in 2002, for example, interest on its arrears would be applied from 1 January 2004.

36. **Should the General Assembly wish to strengthen the incentive effect of this measure for Member States to reduce their arrears, it could provide for a gradual reduction and elimination of the baseline figure used in calculating interest charges, perhaps over five years.** In that case, for example, a Member State whose baseline arrears on the date of adoption of provision for interest charges was $1,000,000 would be charged interest in 2004 based on the amount by which its arrears on 1 January 2004 exceeded $1,000,000. In 2005, its interest charge would be based on the amount by which its arrears on 1 January 2005 exceeded $800,000 (i.e. four-fifths of the original baseline figure). The threshold figure would then go down to $600,000 in 2006, $400,000 in 2007 and $200,000 in 2008. From 2009, interest would be chargeable on all its arrears.

37. **As indicated in the report of the Committee on its fifty-ninth session, if interest or indexation charges are applied, it would be necessary for the General Assembly to authorize the assessment of those charges and to make it clear that they would also be subject to Article 19. Such a decision would have to be effected through an amendment to financial regulation 5.2, which defines assessments and how those assessments are to be adjusted. A draft revision is attached in annex II to the present report.**

38. As regards the interest rate to be applied, it may be noted that the Universal Postal Union (UPU) and the International Telecommunication Union (ITU) both charge interest on unpaid assessments at an initial rate of 3 per cent, rising to 6 per cent from the seventh month. Although there is no objective way to fix a corresponding interest rate for the United Nations, it may be recalled that the Committee agreed that, if the General Assembly decided to introduce interest charges on arrears, the rate should be fixed at a low level. In that context, if it decides to impose interest charges on arrears, **the General Assembly may wish to fix the interest rate at 3 per cent. It may also wish to request the Committee to review this rate periodically, in the context of its triennial review of the scale of assessments for the apportionment of the expenses of the United Nations.**

39. As noted above, it has also been suggested that certain categories of Member States should be exempt from interest charges. In this connection, in granting exemption under Article 19 to certain Member States, the General Assembly by definition has determined that the failure of those Member States to pay is due to conditions beyond their control. Similarly, should the General Assembly decide to institute a system of multi-year payment plans linked to the application of Article 19, in approving such plans it would be deciding that the failure to pay of the Member States concerned was due to conditions beyond their control. Accordingly, it would be logical also to exempt such Member States from interest charges on arrears. **If it decides to charge interest on arrears, the Assembly may wish to exempt those Member States to which it has granted exemption under Article 19. In the event that it approves payment plans linked to the application of Article 19, the Assembly may also wish to exempt the Member States concerned from interest charges on their arrears.**

40. If the General Assembly decides to charge interest on arrears, it will need to decide how to treat the related income. One possibility would be to treat this as miscellaneous income, thereby reducing future assessments. This approach would be somewhat cumbersome, however, with the need to calculate and apply multiple interest amounts for each Member State, on an account-by-account basis.

41. Another possibility would be to use the interest income to strengthen the Organization's reserves. As indicated in the Secretary-General's recent report on improving the financial situation of the United Nations,[5] the Organization's reserves have been seriously depleted as a result of the continuing failure of some Member States to pay their assessed contributions in full and on time. Accordingly, if it decides to levy interest charges on arrears, **the General Assembly may wish to decide that income from interest charges should be credited to the United Nations Special Account.** This would also be more efficient administratively, as it would require only one calculation and assessment for each Member State affected and would not complicate the apportionment of expenses for the individual accounts concerned.

Budgetary surpluses

42. At its sixty-first session, the Committee on Contributions decided to consider further at a future session the proposal to credit surplus balances only to Member States that are current with their financial obligations to the Organization in the light of any guidance from the General Assembly, and in particular the technical issues raised in paragraph 67 of its report on its fifty-ninth session.[1]

43. Among the issues highlighted in paragraph 67 of the above-mentioned earlier report was the question of what should be done with the part of the surplus that, under current practice, would go as credits to Member States that have not met their financial obligations to the United Nations. Among the possibilities considered were: (a) retention by the United Nations; (b) distribution pro rata to those Member States that are current with their obligations; or (c) to be used for other specified purposes. If it were decided that the United Nations should retain the balances in question, it would be necessary to decide whether that retention should be permanent or whether the amounts in question would be distributed to the Member States concerned when they became current with their obligations. If the latter, it would be necessary to decide whether the distribution should be made when the Member State in question became fully current with its obligations or when it met those obligations outstanding at the time of the original distribution of the surplus. Whatever decisions are made in this respect would have to be reflected in revisions to the Financial Regulations and Rules of the United Nations.

44. The budgetary surpluses referred to arise as a result of expenditures falling short of appropriations approved by the General Assembly. Such under-spending is reflected in revised appropriations. In the case of the regular budget and the international tribunals, these surpluses are deducted[a] from the aggregate amounts assessed to finance appropriations for future periods. Since 1995, Assembly resolutions on the financing of peacekeeping operations have allocated such surpluses between Member States, based on their respective rates of assessment, and have applied each country's share to the next assessment, in the case of Member States current with their obligations, and to unpaid contributions, in the case of Member States not current with their obligations.

45. Were the General Assembly to decide to credit surplus balances only to Member States that are current with their obligations to the United Nations, it would be necessary to treat all budgetary surpluses in the same manner as peacekeeping surpluses. Only Member States with no assessed contributions outstanding, due and payable when budgetary surpluses are distributed would then benefit from such surpluses. As **appropriations and assessments are approved separately for the regular budget and each tribunal and peacekeeping mission, the treatment of surpluses would presumably also be handled on an account-by-account basis.**

46. Since the non-payment of assessed contributions has seriously undermined the financial position of the Organization and placed a serious burden on those Member States that do meet their obligations in full and on time, it might well be appropriate to transfer that portion of budgetary surpluses not distributed to Member States current with their obligations to strengthen the Organization's reserves. In addition, it should be noted that the proposal to change the treatment of budgetary surpluses is likely to complicate the administration of the assessments. Were the retained amounts to be held for later distribution to Member States with outstanding assessments that become current with their obligations at a later date, this would significantly increase the administrative burden. Not only could this have resource implications, it might also serve to delay the issuance of assessments.

47. **The General Assembly may wish to decide that budgetary surpluses should be allocated to Member States on an account-by-account basis and their respective shares credited only to those Member States with no outstanding, due and payable assessments when the related notifications are issued. It may also wish to decide that the balance of the budgetary surpluses should be transferred to the United Nations Special Account in order to strengthen the Organization's reserves.**

III. Conclusions and recommendations

48. **Drawing on the observations, conclusions and recommendations of the Committee on Contributions concerning measures to encourage the timely, full and unconditional payment of assessed contributions, the present report has**

focused on two of the proposals considered earlier — indexation of or interest on arrears and crediting only to Member States current with their financial obligations their respective shares of budgetary surpluses.

49. **In order to clarify the definition of timely payment in the context of these measures, the General Assembly may wish to approve the revised version of financial regulation 5.4 contained in annex I to the present report.**

50. **Indexation of arrears would pose more complex technical issues than would the imposition of interest, which would achieve a similar result in practice. Accordingly, should the General Assembly decide in principle to index or impose interest on Member States arrears, it is recommended that the Assembly focus its attention on the possibility of charging interest.**

51. **If the General Assembly decides to impose interest on arrears, it would be necessary for the Assembly to authorize the assessment of the related charges and to make it clear that they would also be subject to Article 19, through an appropriate revision of the financial regulations (see annex II). In view of the depletion of the Organization's reserves, the Assembly may wish to credit interest charges to the United Nations Special Account.**

52. **Should the General Assembly decide in principle to impose interest on Member States arrears, it may wish to take note of the related observations and tentative proposal in section II. 3 above. It may also wish to request the Committee on Contributions to consider and make recommendations concerning the detailed implementation of its decision and to provide the Committee with appropriate policy guidance.**

53. **Should the General Assembly decide that the relevant shares of budgetary surpluses should be credited only to those Member States that are current with their financial obligations to the United Nations on an account-by-account basis, it may wish to transfer the balance of such surpluses to the United Nations Special Account in order to strengthen the Organization's reserves. As regards the details of implementation, it may wish to request the Committee on Contributions to make recommendations thereon in the light of any policy guidance that it may provide.**

Notes

[1] *Official Records of the General Assembly, Fifty-fourth Session, Supplement No. 11* (A/54/11), chap. IV.C.

[2] Ibid., *Fifty-sixth Session, Supplement No. 11A* (A/56/11/Add.1).

[3] Ibid., *Supplement No. 11* (A/56/11), sect. IV.

[4] A/57/65.

[5] A/56/464/Add.1.

Annex I

Amendment to the Financial Regulations and Rules of the United Nations

Replace the text of regulation 5.4 with the following:

Regulation 5.4: Contributions and advances shall be considered as due and payable in full within thirty-five days of the issuance of the communication of the Secretary-General referred to in regulation 5.3 above, or as of the first day of the calendar year to which they relate, whichever is the later. As of 1 January of the following calendar year, the unpaid balance of such contributions and advances shall be considered to be one year in arrears.

Annex II

Amendment to the Financial Regulations and Rules of the United Nations

Replace the text of regulation 5.2 with the following:

Regulation 5.2: For each of the two years of a financial period, the contributions of Member States shall be assessed on the basis of half of the appropriations approved by the General Assembly for that financial period, except that adjustments shall be made to the assessments in respect of:

(a) Supplementary appropriations for which contributions have not previously been assessed on Member States;

(b) Half of the estimated miscellaneous income for the financial period for which credits have not previously been taken into account, and any adjustments in estimated miscellaneous income previously taken into account;

(c) Contributions resulting from the assessment of new Member States under the provisions of regulation 5.8;

(d) Any balance of the appropriations surrendered under regulations 4.3 and 4.4;

(e) Half of the Member States' credits in the Tax Equalization Fund for the financial period estimated to be not required to meet charges for tax refunds during the calendar year, and any adjustments in the estimated credits previously taken into account;

(f) Interest charges on the arrears of Member States as authorized by the General Assembly.

Separate assessments may be issued in respect of the adjustments referred to under regulation 5.2 (f).